

**765—4.5(327I) Contract approval.**

**4.5(1)** After the board has approved the application for financial assistance, the staff shall negotiate a contract with the applicant.

**4.5(2)** The contract negotiations shall be completed within six months after board approval of the application or the application shall be considered rejected.

**4.5(3)** Prior to execution of the contract, the authority may perform a preaudit evaluation of the loan applicant. The preaudit evaluation may include, but shall not be limited to, the following:

*a.* An examination of the applicant's accounting methods and procedures to determine the applicant's ability to segregate and accumulate costs to be charged against the project and to be charged for subsequent maintenance of the rail line.

*b.* An examination of the applicant's cost factors to ensure their propriety and allowability.

*c.* An examination of any other general information which might be pertinent or necessary in determining the applicant's auditability.

**4.5(4)** If the preaudit evaluation shows that revisions are necessary to ensure the applicant's auditability, the revisions shall become an obligation of the applicant in the contract.

**4.5(5)** The staff shall present the proposed contract to the board for final approval.

This rule is intended to implement Iowa Code subsections 327I.7(6), 327I.7(7), and 327I.7(8).